

Finally, Mr. Speaker, I have to certainly say that while I have apologized that Members are having to consider this matter at all, and I do apologize for it, at the same time I want to say this is a burden that they could relieve themselves of. This entire process violates the most basic American idea, that is, the idea of Federalism. It is the idea of local control on local matters.

The gentleman from New Jersey (Mr. FRELINGHUYSEN) and the gentleman from Pennsylvania (Mr. FATTAH) have worked very hard to make this process no worse than it already is by doing it as the law requires. I ask my colleagues to respect their work. I ask them to respect the people of the District of Columbia. I ask my colleagues to pass this rule so that we can get the District's own taxpayer-raised money to the District of Columbia.

Mr. HASTINGS of Florida. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. LINDER. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. OXLEY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 3574, the Stock Option Accounting Reform Act.

The SPEAKER pro tempore (Mr. LINDER). Is there objection to the request of the gentleman from Ohio?

There was no objection.

STOCK OPTION ACCOUNTING REFORM ACT

The SPEAKER pro tempore. Pursuant to House Resolution 725 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 3574.

The Chair designates the gentleman from Iowa (Mr. LATHAM) as chairman of the Committee of the Whole, and requests the gentleman from Texas (Mr. BONILLA) to assume the chair temporarily.

□ 1156

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 3574) to require the mandatory expensing of stock options granted to executive officers, and for other purposes, with Mr. BONILLA (Chairman pro tempore) in the chair.

The Clerk read the title of the bill.

The CHAIRMAN pro tempore. Pursuant to the rule, the bill is considered as having been read the first time.

Under the rule, the gentleman from Ohio (Mr. OXLEY) and the gentleman from Pennsylvania (Mr. KANJORSKI) each will control 30 minutes.

The Chair recognizes the gentleman from Ohio (Mr. OXLEY).

Mr. OXLEY. Mr. Chairman, I yield myself such time as I may consume.

I would like to commend the gentleman from Louisiana (Mr. BAKER), the chairman of the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises, for his great leadership on the Stock Option Accounting Reform Act. His legislation strikes a significant compromise between those who believe that expensing options will help prevent some of the corporate governance abuses we have seen in the last few years and those who believe that expensing options will harm our most innovative companies, especially those in the high-tech industry, but not exclusive to them.

Requiring publicly held companies to record as an expense options granted to the chief executive and the next four most highly compensated officers will help preserve broad-based employee stock options and, at the same time, addresses the corporate governance concerns voiced by advocates of expensing.

Our most successful enterprises, many of which are small businesses and venture capital companies, would not be as successful as they are today but for their ability to attract and retain talented employees by giving them ownership in that endeavor. Ownership rewards due to one's personal contribution to a successful enterprise is the ethos of our capital markets system.

While I have been, and continue to be, a strong supporter of FASB's independence, I am supportive of the gentleman from Louisiana's (Chairman BAKER) legislation because I believe FASB's proposal, as currently drafted, would do harm to our most innovative companies. While I believe that FASB should be separated from the political process, and I have supported FASB's independence during all of my 20-plus years here in the Congress, its authority is subject to review by the Congress.

In extraordinary circumstances, and I believe this is one of those rare occasions, FASB's rule-making should be halted when its proposal will do harm to our economy, and I believe that is the case here. The Congress is ultimately responsible for the economic well-being of this country. Policies that could create an environment that is hostile to innovation and entrepreneurship must be reviewed and altered accordingly.

Therefore, I urge all of my colleagues to support the gentleman from Louisiana's (Chairman BAKER) important legislation.

Mr. Chairman, I reserve the balance of my time.

□ 1200

Mr. KANJORSKI. Mr. Chairman, I yield myself 6 minutes.

Mr. Chairman, we are unfortunately meeting today to consider the Stock Option Accounting Reform Act. This bill would begin the process of repealing the reforms we enacted in the historic Sarbanes-Oxley Act just 2 years ago. As I repeatedly noted during the Committee on Financial Services' consideration of these matters, deciding what should be accounted for and how it should be accounted for is the job of the Financial Accounting Standards Board, not the Congress.

Nevertheless, I recognize the strong feelings and deep concerns expressed by the parties on the other side of this contentious issue. The accounting treatment of stock options has caused significant controversy for more than a decade and FASB's decision to revisit this matter has rekindled a fiery debate.

Although I have great sympathy for those individuals in the high-tech community who have raised considerable reservations about the expensing of stock options and the effects on business operations and compensation plans, H.R. 3574 would interfere with FASB's independence. It could also undermine the credibility of financial reports.

We need to work in Washington, particularly in the wake of recent accounting scandals, to improve the transparency of financial reporting statements in order to help average investors make better decisions. A decade ago, the Congress strong-armed FASB into abandoning an effort to adopt a rule requiring stock option expensing. We now know that this retreat helped contribute to a recent financial storm on Wall Street. In fact, a recent study by economists at Texas A&M found that companies where CEOs had options equal to 52 times their annual salary were 70 percent more likely to have a restatement than similar-sized companies in similar industries where CEO had little option wealth.

In considering this bill today, we may, therefore, ultimately allow history to repeat itself. We would for the first time also be making the Congress an appeals board for the development of accounting standards. Support in the business community for mandatory expensing has increased significantly in the wake of the recent tidal wave of accounting scandals. A Merrill Lynch study found more than 90 percent of institutional investors want stock options expensed. This view is shared by the American Institute of Certified Public Accountants, the Investment Company Institute, and the Council for Institutional Investors. Our largest accounting firms have also called for the expensing of stock options.

In addition, nearly 600 companies have already voluntarily adopted or are in the process of adopting fair-value expensing of stock options. Respected corporations like Home Depot, General Motors, General Electric, Wal-Mart, Microsoft, and Amazon have all decided to treat stock options as expenses.